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SUBJECT: E.O. 13382: DESIGNATION OF TWO IRANIAN
MISSILE-RELATED ENTITIES

REF: 05 STATE 120771

11. (U) This is an action request. Please see para 4.

12. (U) Background: On June 29, 2005 the President issued Executive Order (E.O.) 13382 authorizing the U.S. to block or "freeze" the assets of weapons of mass destruction (WMD) proliferators and their supporters (reftel). E.O. 13382 authorizes the Secretary of the Treasury, in consultation with the Secretary of State, the Attorney General, and other relevant agencies to designate individuals or entities determined to be owned or controlled by, or acting or purporting to act for or on behalf of, directly or indirectly, those entities or individuals identified in the Annex of E.O. 13382 or subsequently designated pursuant to E.O. 13382. In addition, E.O. 13382 authorizes the Secretary of the Treasury, in consultation with the Secretary of State, the Attorney General, and other relevant agencies to designate individuals or entities determined to have provided, or attempted to provide, financial, material, technological or other support for, or goods and services in support of, individuals or entities identified in the Annex to E.O. 13382 or subsequently designated pursuant to the Order. Persons that are designated under the Order are denied access to the U.S. financial and commercial systems, and U.S. persons, wherever located, are prohibited from engaging in transactions with them.

13. (U) Background continued: On July 18 the Department of the Treasury announced the E.O. 13382 designations of two additional Iranian entities, Sanam Industrial Group and Ya Mahdi Industries Group. The USG has determined that they are owned or controlled by, or act or purport to act for or on behalf of, directly or indirectly, the Aerospace Industries Organization (AIO), which President Bush identified in the Annex to E.O. 13382. AIO is a subsidiary of the Iranian Military of Defense and Armed Forces Logistics, and manages and coordinates Iran's missile program and oversees all of Iran's missile industries. In reaching the decision to designate these entities, the USG took into account the implications of such a designation on our current diplomatic efforts, including the P5 1 offer to Iran of future incentives and cooperation in exchange for Iran's agreement to take concrete steps to build confidence that it has

abandoned its nuclear weapons efforts. We believe the decision to proceed with these designations is consistent with our support for the P5 1 offer to Iran. After six weeks, Iran has not responded to the P5 1 package, and therefore, we have no choice but to resume discussions at the United Nations Security Council. On July 12, P5 1 Ministers announced that they would seek adoption of a resolution that makes mandatory Iran's suspension of all enrichment related and reprocessing activities. Consultations are now underway in New York. The efforts in the UNSC, as well as these designations are intended to exert a greater level of pressure on Iran to make the strategic decision to abandon its pursuit of nuclear weapons.

¶4. (U) Action request: Washington requests action addressees inform appropriate host government officials and Proliferation Security Initiative Operational Experts Group (PSI OEG) points of contact that two Iranian entities -- Sanam Industrial Group and Ya Mahdi Industries Group -- have been designated pursuant to E.O. 13382 and added to the Office of Foreign Assets Control's (OFAC) List of Specially Designated Nationals and Blocked Persons (SDN List). Posts should also provide a copy of the Treasury press release at para 5 and note that the SDN List can be found at www.treas.gov/ofac and that a consolidated list of E.O. 13382 designees can be found at www.treas.gov/offices/enforcement/ofac/programs/wmd/wmd.pdf. Posts should draw from points in paragraph 6 as needed.

¶5. (U) Begin Treasury press release.

July 18, 2006

The Department of the Treasury today designated two additional Iranian companies, Sanam Industrial Group and Ya Mahdi Industries Group, for their ties to missile proliferation.

"As long as Iran's nuclear ambitions continue to threaten the international community, the United States will use its authorities to target Iran's efforts to sell and acquire items used to develop weapons of mass destruction and the missiles capable of carrying them," said Stuart Levey, Treasury's Under Secretary for Terrorism and Financial Intelligence (FTI). "We have now taken steps to financially isolate thirteen entities tied to Iranian proliferation, and will continue to act aggressively against this grave threat."

This action was taken pursuant to Executive Order 13382, an authority aimed at financially isolating proliferators of weapons of mass destruction, their supporters, and those contributing to the development of missiles capable of delivering WMD. Designations under E.O. 13382, which is administered and enforced by the Treasury's Office of Foreign Assets Control (OFAC), prohibits all transactions between the designees and any U.S. person and freezes any assets the designees may have under U.S. jurisdiction.

Sanam Industrial Group and Ya Mahdi Industries Group are being designated by OFAC because they are owned or controlled by, or act or purport to act on behalf of, directly or indirectly, the Aerospace Industries Organization (AIO), which the United States Government designated in the annex to E.O. 13382. AIO is a subsidiary of the Iranian Ministry of Defense and Armed Forces Logistics, and manages and coordinates Iran's missile program and oversees all of Iran's missile industries.

The Sanam Industrial Group, a subordinate to the AIO, has purchased millions of dollars worth of equipment on behalf of the AIO from entities associated with missile proliferation.

Ya Mahdi Industries Group is also subordinate to the AIO and has been involved in international purchases of missile-related technology and goods on behalf of the AIO.

Background on E.O. 13382

Today's action builds on President Bush's issuance of E.O. 13382 on June 29, 2005. Recognizing the need for additional tools to combat the proliferation of WMD, the President signed the E.O. authorizing the imposition of strong financial sanctions against not only WMD proliferators, but also entities and individuals providing support or services to them.

In the annex to E.O. 13382, the President identified eight entities operating in North Korea, Iran and Syria for their support of WMD proliferation. E.O. 13382 authorizes the Secretary of the Treasury, in consultation with the Secretary

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of State, the Attorney General, and other relevant agencies, to designate additional entities and individuals providing support or services to the entities identified in the annex to the Order.

In addition to the eight entities named in the annex of E.O. 13382 and the two named today, the Treasury Department has designated sixteen entities and one individual as proliferators of WMD, specifically:

- Eight North Korean entities on October 21, 2005;
- Two Iranian entities on January 4, 2006;
- One Swiss individual and one Swiss entity tied to North Korean proliferation activity on March 30, 2006; and
- Four Chinese entities and one U.S. entity tied to Iranian proliferation activity on June 13, 2006.

The designations announced today are part of the ongoing interagency effort by the United States Government to combat WMD trafficking by blocking the property of entities and individuals that engage in proliferation activities and their support networks.

End Treasury press release.

16. (U) If raised: Will the designations undercut the P5 1 offer?

- The package of incentives offered by the P5 1 remains on the table. However, after six weeks, we have no indications from Iran that it is prepared to accept the package or suspend all enrichment related and reprocessing activities. As a result, we have no choice but to return to the United Nations Security Council.

- In reaching this decision to designate these entities, the USG took into account the implications of such a designation on our current diplomatic efforts.

- We believe the decision to proceed with these designations is consistent with our support for the P5 1 offer to Iran.

- The UNSC process, these designations, and other efforts are intended to enhance the effectiveness of our diplomatic efforts. They are intended to exert greater pressure on Iran to make the strategic decision to abandon its nuclear weapons pursuits.

End if raised points.

17. (U) Washington appreciates Posts' assistance. Please slug replies for ISN, T and Treasury/OFAC.
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